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CHRISTOPHER HOMES, INC.

Independent Auditors' Reports on Audit of Financial Statements and Compliance and Internal Control for the Years Ended June 30, 2001 and 2000

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INDEPENDENT AUDITORS' REPORT

To the President and Board of Directors of
Christopher Homes, Inc.
New Orleans, Louisiana

We have audited the statements of financial position of Christopher Homes, Inc. as of June 30, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christopher Homes, Inc. as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2001, on our consideration of the Christopher Homes, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

October 5, 2001

CHRISTOPHER HOMES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2001 and 2000

ASSETS	2001	2000
CURRENT ASSETS:		
Cash	$ 678,029	$ 530,761
Due from affiliates, net	235,855	72,217
Accrued interest receivable	131	1,436
Other current assets	2,030	11,249
Total current assets	916,045	615,663
INVESTMENT SECURITIES	1,327,260	1,145,723
PROPERTY AND EQUIPMENT:		
Office furniture and equipment	353,750	353,176
Leasehold improvements	175,902	76,391
Automobiles and trucks	53,223	36,927
Computer software	206,543	204,728
	789,418	671,222
Less accumulated depreciation	(539,729)	(494,650)
Total property and equipment	249,689	176,572
DUE FROM AFFILIATES - LONG-TERM, NET	448,334	1,009,356
INVESTMENTS IN MANAGED PROJECTS	1,001,739	862,060
TOTAL ASSETS	$3,943,067	$3,809,374
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 73,579	$ 24,926
Due to the Archdiocese of New Orleans	590,220	566,740
Total current liabilities	663,799	591,666
NET ASSETS, UNRESTRICTED	3,279,268	3,217,708
TOTAL LIABILITIES AND NET ASSETS	$3,943,067	$3,809,374

See notes to financial statements.

CHRISTOPHER HOMES, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
REVENUE:		
Management fees	$1,213,303	$1,194,781
Interest and dividends	103,719	115,499
Net realized and unrealized gain/(loss) on investments	122,367	(84,772)
Grants received	5,000	98,000
Total revenue	1,444,389	1,323,508
EXPENSES:		
Salaries	578,166	567,691
Payroll taxes	46,861	47,627
Office expense	57,495	53,817
Legal, accounting and auditing	31,006	27,503
Automobile and truck	10,127	12,369
Printing and postage	25,477	48,867
Depreciation	45,079	57,180
Rent	42,549	39,895
Seminars and meetings	11,012	17,267
Insurance	63,059	49,852
Pension	34,528	30,516
Managed properties	46,203	50,125
Interest	37,587	36,798
Donations	14,108	16,451
Employee benefits	2,335	5,997
Provision for bad debts	223,210	30,833
Other	109,027	35,778
Grants expended	5,000	98,000
Total expenses	1,382,829	1,226,566
CHANGE IN NET ASSETS	61,560	96,942
NET ASSETS, UNRESTRICTED, BEGINNING OF YEAR	3,217,708	3,120,766
NET ASSETS, UNRESTRICTED, END OF YEAR	$3,279,268	$3,217,708

See notes to financial statements.

CHRISTOPHER HOMES, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 61,560	$ 96,942
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	45,143	57,180
Provision for bad debts	223,210	30,833
Net realized and unrealized (gain) loss on investments	(122,367)	84,772
Changes in operating assets and liabilities:		
Due from affiliates	(163,638)	61,507
Accounts payable and accrued expenses	48,653	(14,896)
Other, net	10,460	(1,155)
Net cash provided by operations	103,021	315,183
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease due from affiliates - long-term and investments in managed projects	198,133	23,969
Purchase of property and equipment	(118,196)	(59,852)
Cash used to acquire investment securities, net of disposals	(59,170)	(85,886)
Net cash provided by (used) in investing activities	20,767	(121,769)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in amount due the Archdiocese of New Orleans	23,480	(23,203)
INCREASE IN CASH	147,268	170,211
CASH, BEGINNING OF YEAR	530,761	360,550
CASH, END OF YEAR	$ 678,029	$ 530,761
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 37,587	$ 36,798

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The accompanying financial statements include only the accounts of Christopher Homes, Inc., (the Company), a non-profit Louisiana corporation controlled by the Roman Catholic Church of the Archdiocese of New Orleans (Archdiocese), but separate from and independent of the Archdiocese's administrative operations. The Company manages various housing projects for the elderly, some of which are operated under the auspices of the Archdiocese. The Company receives management fees to compensate it for its services. These fees are recorded as revenue as services are performed.

The accompanying financial statements do not include the accounts of the individual housing projects managed by the Company, or the accounts of any other activities and departments of the Archdiocese. These housing projects, activities and departments are operating entities distinct from the Company and they maintain separate accounts and carry on their own services and programs.

Provision for Bad Debts – The Company makes provisions for bad debts based upon an analysis of each of the individual accounts due from affiliates including those amounts included in other long-term assets. If the Company considers that it is probable that a loss will be incurred, that loss is provided for in the year such determination is made.

Property and Equipment - Property and equipment are valued at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis. Estimated service lives of the assets are three years for computer software and three to seven years for other assets.

Income Taxes - The Company was organized as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code of 1954 as amended and is, therefore, of tax exempt status.

Cash Equivalents - All highly liquid cash investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investment Securities - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities.

Contributions – Contributions received, including unconditional pledges, are recognized as revenues when the donor's commitment is received. Unconditional pledges are recognized at the estimated present value of the future cash flows, net of allowances. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category. Pledges of non-cash assets are recorded at their fair value. There were no unconditional pledges in 2001 or 2000.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INVESTMENT SECURITIES

The investment securities of the Company at June 30, 2001 and 2000 consist of:

	June 30, 2001		June 30, 2000	
	Cost	Market Value	Cost	Market Value
Money market funds	$ 74,178	$ 74,349	$ 80,161	$ 80,161
Certificates of deposits	25,000	25,000	127,000	127,000
Closed end funds	35,003	26,953	31,566	23,591
Corporate bonds	140,000	140,306	75,000	72,567
Archdiocese investment pool	39,972	55,558	37,575	55,688
Unit investment trusts	24,848	24,248	25,246	23,202
Preferred stock	987,590	980,846	853,750	763,514
TOTAL	$ 1,326,591	$ 1,327,260	$ 1,230,298	$ 1,145,723

The cost and market value of the corporate bonds and certificates of deposit at June 30, 2001 by contractual maturity are as follows:

	Cost	Market Value
Due in one year or less	$ -	$ -
Due after one year through five years	125,000	126,632
Due after five years	40,000	38,674
	$ 165,000	$ 165,306

3. RECEIVABLES FROM MANAGED PROJECTS

In addition to routine billing for management fees, the Company has provided, and when necessary, will provide assistance to the housing projects for which it acts as management agent. The following sets forth the balances receivable from such projects as of June 30, 2001 and 2000:

	2001	2000
Total amounts receivable	$ 848,150	$ 1,454,024
Less: *Allowance for doubtful accounts*	163,961	372,451
Net amount receivable	684,189	1,081,573
Amount estimated to be received within one year	235,855	72,217
Long-term portion	$ 448,334	$ 1,009,356

The Company has also made long-term advances to certain properties which have been classified in the accompanying balance sheet as investments in managed projects. The projects have no obligation to refund these advances to the Company except in the event that the managed projects are sold or otherwise liquidated. If a project is sold or otherwise liquidated, the Company would be the beneficiary of any proceeds in excess of the project's liabilities. Such advances totaled $1,001,739 and $862,060 at June 30, 2001 and 2000, respectively. The advances are not expected to be repaid in the near future and are not interest bearing. Amounts are written off when it becomes probable that recovery is unlikely to occur.

Accounts receivable and advances total $1,849,889 and include the following:

Project A	$ 393,721
Project B	295,090
Project C	216,835
Project D	212,225
All other	732,018
	$ 1,849,889

4. PENSION PLAN

The employees of the Company are included in the pension plan established by the Archdiocese. It is a contributory, defined contribution plan for all lay employees. The Company's pension cost is assessed by the Archdiocese at 6% of gross payroll each year. It is the policy of the Archdiocese to fund pension cost accrued. Pension expense for the years ended June 30, 2001 and 2000 were $34,528 and $30,516, respectively.

5. RELATED PARTY TRANSACTIONS

The Archbishop of New Orleans serves as president of the Company. He also serves as president of the Archdiocese, and all other corporations, boards of trustees and separate activities sponsored by, or operated under the auspices of, the Archdiocese.

In the normal course of operations, the Archdiocese and/or one or more of its agencies or activities have made, and when necessary will consider making available to the Company and the housing projects under its management, specific assistance in the form of operating subsidies, loans, use of facilities and/or administrative support. The balance due to the Archdiocese was $590,220 at June 30, 2001 and $566,740 at June 30, 2000. During the year ended June 30, 2001, there was an addition of $45,893 relating to certain costs paid for by the Archdiocese for the benefit of the Company. These amounts are due on demand and generally bear interest at 7%.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the President and Board of Directors of
Christopher Homes, Inc.
New Orleans, Louisiana

We have audited the financial statements of Christopher Homes, Inc. as of and for the year ended June 30, 2001, and have issued our report thereon dated October 5, 2001. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Christopher Homes, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Christopher Homes, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Board, management, and others within Christopher Homes, Inc., and officials of the Louisiana Legislative Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 5, 2001

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CHRISTOPHER HOMES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001

We have audited the financial statements of Christopher Homes, Inc as of and for the year ended June 30, 2001, and have issued our report thereon dated October 5, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2001 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses ☐ Yes ☒ No Other Conditions ☐ Yes ☒ No

Compliance
Compliance Material to Financial Statements ☐ Yes ☒ No

Section II - Financial Statement Findings

A) Current Year Findings

None

B) Status of Prior Year Findings

2000-1 Recording of Grants Received

No similar instances detected in the current year.